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RUCPDOG/DEPT OF COMMERCE WASHDC
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RUCNCIS/CIS COLLECTIVE 0408
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RUEHBUL/AMEMBASSY KABUL 0378
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UNCLAS SECTION 01 OF 03 ASTANA 000367

SIPDIS

DEPT FOR SCA/CEN (O'MARA)
DEPT PASS TO OPIC - BALLINGER
DEPT PASS TO TDA FOR STEIN, EXIM FOR GLAZER
DEPT PASS TO AID - EE-PHILLIPS/RUSHING
TREASURY FOR OASIA/VELTRI
USDOC FOR 4231/ITA/MAC/MLONDON, 4201/BISNIS
USDOC FOR 6110/ITA/TD/BI/RHALPERN
ANKARA FOR CFC

SIPDIS

E.O. 12958: N/A
TAGS: [ECON](#) [EIND](#) [ENRG](#) [EPET](#) [EFIN](#) [KTDB](#) [KZ](#)
SUBJECT: KAZAKHSTAN ECONOMIC AND ENERGY UPDATE, JANUARY 19 -
FEBRUARY 1, 2008

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11. Summary: This information is drawn primarily from the
Kazakhstani local press, and has not been verified for accuracy.

- WTO accession: updates and comments
- Socially Responsible Business in Kazakhstan
- New Special Economic Zone
- Inflation in January
- Energy Minister Proposes Oil Export Duty
- Prime Minister Urges Construction of Aluminum Plant
- National Operator To Develop Kazakhstan's Rare Metals Industry
- First Petrochemical Plant to Be Built in Atyrau Province
- KazTransOil Transits Russian Crude to China
- Tax Claims Against Oil Companies
- TengizChevrOil Increases Crude Output

WTO Accession: Updates and Comments

12. "In 2008 we shall conclude all bilateral talks on Kazakhstan's
accession to the WTO, and after one or two rounds of multilateral
talks we shall be on the way to the completion of this process,"
said Kazakh Minister of Industry and Trade Galym Orazbakov on
January 22nd in Astana. (Note. Galym Orazbekov has since been
replaced by Vladimir Shkolnik. End note.) The tenth session of the
WTO Working Party will be held in April. In 2008, Kazakhstani
officials also intend to achieve the ranking of "market economy" as
determined by the European Union. In 2007, Kazakhstan signed
protocols to join the WTO with Israel, Brazil and Malaysia.
Bilateral talks with the U.S., the EU and Australia are ongoing.
(Central Asia General Newswire, January 23)

13. Belarusian Deputy Prime Minister Kobyakov said that Belarus,
Russia and Kazakhstan should synchronize their accession into the
WTO. "In our view, this is possible, but our partners want to join
it earlier," he said. According to Kobyakov, multiple accession
dates into the WTO will not impact the longer-term goal of creating
a customs union. (Interfax, January 29)

Socially Responsible Business in Kazakhstan

¶4. The National Forum on Social Responsibility of Businesses was held in Zhezkazgan (Karaganda region) at the end of January during which representatives from the forum, the Ministry of Labor and Social Protection, and large corporations signed an agreement to promote the principles of the United Nations Treaty on Social and Labor Relations. Signatory businesses include Kazakhmys (copper), the Eurasian Natural Resource Corporation (metallurgy), Tengizchevroil, KazZinc, and KazAtomProm (uranium). (Interfax-Kazakhstan, January 25)

New Special Economic Zone

¶5. A new 370-hectare special economic zone (SEZ) has been established in Burabai, Kazakhstan. According to the GOK, the creation of an efficient and competitive resort infrastructure in the Shchuchinsk-Borovoe area (Akmola region) would attract significant numbers of Kazakhstani and foreign tourists. (Interfax-Kazakhstan, January 25)

Inflation in January

¶6. According to the Statistic Agency, inflation in January 2008 was 1.1%. Prices for food grew by 1.6%, non-food goods increased by 0.8% and service by 0.6%. January-on-January inflation totaled 18.7%. the average annual inflation rate in 2007 stands at 10.8%. The National Bank forecasts year-on-year inflation in the range of 7.9%-9.9% in 2008, 7.5%-9.5% in 2009; and an average annual inflation rate of 16%-18% and 8.5%-10.5% respectively. (Interfax-Kazakhstan, February 1)

Energy Minister Proposes Oil Export Duty

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¶7. On 29 January 2008, at a government meeting Minister of Energy and Mineral Resources Sauat Mynbayev proposed to introduce customs duty on the export of crude and oil products effective January 1, ¶2009. (Interfax - Kazakhstan, January 30)

Prime Minister Urges Construction of Aluminum Plant

¶8. Kazakhstan's Prime Minister Karim Masimov urged the Ministry of Industry and Trade to transfer the bauxite fields in Kostanay province (North Kazakhstan) to the social entrepreneurial corporation Tobol for the construction of a new aluminum smelter. (Kazakhstan today, January 23)

National Operator To Develop Kazakhstan's Rare Metals Industry

¶9. Kazakhstan's Ministry of Industry and Trade proposed to create a national operator for developing the country's rare metals industry.

Kazakhstan has unique reserves of rhenium, niobium and other rare metals that can be used in petrochemical, aviation, and space industries. (Kazakhstan Today, January 23)

First Petrochemical Plant to Be Built in Atyrau Province

¶10. The first integrated petrochemical plant in Kazakhstan, with a designed capacity of 1.2 million tons of polyethylene and polypropylene per year, will be built in Karabatan (West Kazakhstan) near the gas refinery of Agip KCO, which will receive Kashagan oil. The project must be implemented and 50% owned by JSC Kazakhstan Petrochemical Industries (owned by JSC SAT & Company and a subsidiary of the national oil and gas company KazMunayGas (KMG), JSC Exploration & Production KazMunayGas). (Kazinform, January 22)

¶11. KMG and the International Petroleum Investment Company (IPIC)

of UAE signed a memorandum of understanding to cooperate in building the Karabatan petrochemical plant. (Panorama newspaper, January 25)

¶12. LyondellBasell Industries, the world's third-largest independent chemical company, announced its intention to acquire a 25% stake in the Karabatan petrochemical plant. (Interfax - Kazakhstan, January 25).

KazTransOil Transits Russian Crude to China

¶13. KMG subsidiary, KazTransOil, started transiting Russian crude to China via the Omsk-Pavlodar-Atasu-Alashankou pipeline. The estimated transit volume in January consists of 51.1 thousand tons from the Russian oil company TNK-BP Ltd, and 50 thousand tons from the Russian oil and gas company JSC Gazprom Neft. KazTransOil is scheduled to transit 300 thousand tons of Russian crude in the first quarter of 2008. (Interfax - Kazakhstan, January 22)

Tax Claims Against Oil Companies

¶14. In 2007, the State Agency for Fighting Economic Crimes and Corruption (Financial Police) initiated 23 criminal charges against subsoil users in Mangistau, Atyrau, and Zhambyl provinces for 14.3 billion-tenge (\$119.1 million) of contract violations. It also accuses the shareholders of JSC KarazhanbasMunay of failure to pay 41 billion-tenge of taxes on the increased share value that resulted from the purchase of a 50% stake by KMG subsidiary, Exploration & Production KMG (EP KMG), from CITIC Canada Group (the owner of JSC KarazhanbasMunay). (Kazakhstan today, January 25)

¶15. The Financial Police accused of fraud two KMG subsidiaries - KazTransGas for 533 million tenge when building 17 gas wells in Amangeldy field (Zhambyl province), and EP KMG in the amount of 366 million tenge when estimating the cost of seismic and geodynamic assessment of the oil reserves in Uzen field (Mangistau province).

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(Interfax - Kazakhstan, January 25)

TengizChevrOil Increases Crude Output

¶16. TengizChevrOil (TCO) raised its daily crude output by 11,000 tons to 40,000 tons by putting into operation the Sour Gas Injection and the Second-Generation Plant projects. The Sour Gas Injection project allows TCO to increase the productivity of its oil reservoirs, reduce sulphur volumes, and minimize gas flaring amounts. At its full capacity, the Second-Generation Plant will process sour gas. It is currently using 1/3 of its designed capacity. The projects are expected to run at their full capacity by raising the daily crude output to 70,000 tons in the second half of 2008. (Kazinform, January 30)